

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 L-03 OMB-01
TRSE-00 COME-00 INT-05 GSA-02 CIAE-00 INR-07
NSAE-00 XMB-02 OPIC-03 AID-05 IGA-02 /074 W
-----079353 131840Z /43

R 131807Z SEP 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 8245
INFO AMEMBASSY TOKYO
USMISSION GENEVA
AMEMBASSY BRUSSELS
AMEMBASSY PARIS

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USOECD
USEEC

FOR: (A) DEPT. - EB/ISM (B) GENEVA - WALTER C. LENAHAAN

E.O. 11652: N/A
TAGS: EMIN, ETRD, ITC
SUBJECT: TIN -- U.S. CONTRIBUTION TO ITC BUFFER STOCK,
WORKING PAPER

REF: (A) LONDON 15223 (B) LONDON 15179 (C) STATE 213934

1. REPRODUCED BELOW IS TEXT OF WORKING PAPER MENTIONED
IN REFTELS (A) AND (B), DRAFTED SEPTEMBER 12. PAPER WAS
DRAFTED BY ITC SECRETARIAT AND DISCUSSED IN SHORT,
INFORMAL MEETING BETWEEN BUFFER FINANCE COMMITTEE CHAIR-
MAN (FATAH), INDONESIA (SIAHAAN), U.S., AND SECRETARIAT.
AS NAME IMPLIES, PAPER IS NOT A "NEGOTIATED" POSITION
PAPER, BUT A DISCUSSION PAPER, BASED PRIMARILY ON SEPT-
EMBER 9 DISCUSSIONS AND FOR USE OF SEPTEMBER 26 MEETING
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OF COMMITTEE. UNDOUBTEDLY, MEMBERS OF THE COMMITTEE,
INCLUDING THE U.S., WILL SUGGEST CHANGES. COMMENTS
KEYED TO POINTS ENUMERATED IN PAPER ARE PROVIDED IN PARA
3 OF THIS CABLE. TEXT BASED ON USREP'S NOTES ON ORIGINAL
DRAFT; FINAL TEXT TO BE CIRCULATED TO COMMITTEE MEMBERS
COULD (BUT PROBABLY WILL NOT) CONTAIN EDITORIAL DIFFER-
ENCES.

2. BEGIN TEXT:

"WORKING PAPER: PROPOSED TERMS AND CONDITIONS OF U.S. CONTRIBUTION TO BUFFER STOCK.

(1) THE U.S. DELIVERS GRADE "A" WARRANTS TO THE BSM. THE WARRANTS SHALL BE CLEAN, NEGOTIABLE WARRANTS, STATING QUANTITY, BRAND AND PLACE OF STORAGE.

(2) THE BSM CONFIRMS RECEIPT, TO BE CERTIFIED BY THE EXECUTIVE CHAIRMAN ON BEHALF OF THE COUNCIL.

(3) UPON RECEIPT OF THE TIN WARRANTS THE TIN AND ITS PROCEEDS WILL BE AT THE DISPOSAL OF THE BSM WITHIN THE OPERATIONAL RULES OF THE 5TH ITA. IN THIS CONNECTION, THE BSM IS AUTHORIZED TO OPERATE AT HIS DISCRETION WITH A VIEW TO ACHIEVING THE OBJECTIVES OF THE AGREEMENT, WHENEVER THE MARKET PRICE IS AT OR ABOVE THE CEILING PRICE.

(4) THE TOTAL NET PROCEEDS OF THE TIN AND THE CURRENCY TRANSACTIONS SHALL BE CONSIDERED TO BE THE CASH CONTRIBUTION OF THE U.S. TO THE BUFFER STOCK. THESE NET PROCEEDS THEREFORE CONSIST OF

- THE PROCEEDS DIRECTLY RESULTING FROM THE TIN OPERATIONS
- PLUS THE DIFFERENCES ON THE CURRENCY TRANSACTIONS CONCLUDED WITH THESE TIN PROCEEDS
- PLUS THE ACCRUED INTEREST
- LESS THE COST DIRECTLY RELATED TO THE ABOVE TRANSACTIONS.

(5) EVERY THREE MONTHS THE BSM WILL DETERMINE THE AMOUNT LIMITED OFFICIAL USE

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AND, BY WEIGHTED AVERAGE CALCULATION, ASSIGN THE DATE ON WHICH THE BUFFER STOCK ACCOUNT HAS BEEN CREDITED.

(6) THE TOTAL NET PROCEEDS MENTIONED UNDER 4 AND THE AMOUNT AND DATE UNDER 5 WILL BE USED FOR THE PURPOSE OF THE LIQUIDATION CALCULATIONS, AS DESCRIBED IN ARTICLE 25 OF THE AGREEMENT.

(7) THE SALE OF THE TIN RECEIVED FROM THE UNITED STATES WILL, WHERE PRACTICAL, HAVE PRIORITY OVER THE SALE OF ANY OTHER TIN WHICH MAY BE IN THE BUFFER STOCK.

(8) TIN WHICH HAS NOT BEEN SOLD DURING THE 5TH ITA WILL BE HANDED BACK TO THE U.S. PROMPTLY AFTER THE END OF THE AGREEMENT.

IN THAT CASE THE FOREGOING, AS EXPLAINED IN 4, 5 AND 6, CONSEQUENTLY APPLIES ONLY TO THE QUANTITY OF TIN WHICH FINALLY WAS SOLD, AND NOT TO THE BALANCE HANDED BACK TO THE U.S.

HOWEVER, IT IS HIGHLY UNLIKELY THAT THIS POSSIBILITY WILL OCCUR, IN VIEW OF

- THE VERY LIMITED QUANTITY OF THE TIN IN RELATION TO THE PRESENT AND FUTURE SHORTAGE OF TIN
- THE FACT THAT ON THE PRINCIPLE OF FURTHER STOCKPILE DISPOSALS THE U.S. WILL CONSULT THE ITC, AND THAT IN PRACTICE

THERE ALSO WILL BE REGULAR CONTACT BETWEEN THE GSA AND
THE BSM.

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(9) IN ORDER TO FACILITATE THE CALCULATIONS MENTIONED
UNDER 4 AND 5, A SEPARATE INTERNAL ACCOUNT OF THE ITC
WILL BE KEPT.
BUFFER STOCK MANAGER"

3. COMMENTS KEYED TO WORKING PAPER PARAS.

(1) AIM IS STANDARDIZATION OF CONTRIBUTIONS AND OBTAINING
CLEAR TITLE. SPECIFICATION OF GRADE OF METAL AS "A" IS
PROBABLY NEGOTIABLE, SO LONG AS BSM KNOWS WHAT HE IS
GETTING.

(2) THIS SEEMS CONSISTENT WITH PARA 1 OF REF (C).

(3) SECOND SENTENCE SHOULD BE LOOKED AT CLOSELY. BASIC-
ALLY THIS SENTENCE CALLS FOR DOING FOR U.S. TIN WHAT WAS
DONE FOR ALL HOLDINGS UNDER RES. 25 OF JULY 6, 1976.
PROVISION WAS VOTED DOWN (IN AN ALLIANCE OF PRODUCERS AND
THE U.S.) IN DECEMBER 1976. DE KONING SAID THIS ESSENT-
IAL TO PROVIDE FLEXIBILITY HE NEEDS AS TRADER FOR ACHIEV-
ING OBJECTIVES OF AGREEMENT IN WORLD MARKETS. HE AGREED
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IT SHOULD APPLY ONLY TO U.S. TIN; I.E. SHOULD NOT BE GENERALIZED TO OTHER ACQUISITIONS. USREP POINTED TO OUR RESERVATIONS UNDER EARLIER RESOLUTION AND PROBLEMS WHICH WOULD BE CREATED IF WE FOUND U.S. METAL HAD NOT BEEN USED IN EFFORT TO DAMPEN HIGH PRICES AS AGREEMENT INTENDS. SIAHAAN ALSO EXPRESSED DOUBTS.

(4) THIS PARA DEALS WITH LEGAL PROBLEM MENTIONED IN REF (A) BY FOCUSING ON "CASH CONTRIBUTION OF U.S.".

(5) THIS DEALS WITH PROBLEM OF A POSSIBLE MULTIPLICITY OF SALES OF U.S. TIN AS WELL AS THE ITC'S SECRECY RULE. THE "AMOUNT" IN THIS CASE, SECRETARIAT SUBSEQUENTLY CONFIRMED, REFERS TO "CASH AMOUNT" AND NOT TO TONNAGE SOLD. U.S. WOULD BE TOLD AMOUNT REALIZED FROM SALES DURING QUARTER AND A SINGLE, REPRESENTATIVE DATE UPON WHICH TRANSACTIONS WOULD HAVE BEEN ASSUMED TO HAVE TAKEN PLACE FOR PURPOSES OF CREDITING U.S. ACCOUNT. NOT DISCUSSED WAS WHETHER USUAL THREE MONTHS LAG DISCLOSURE RULE WOULD APPLY. ALSO, UNDER EXISTING RULES, SPECIAL AUDITS FOR U.S. METAL WOULD NOT SEEM POSSIBLE (EXCEPTION TO RULE FOR U.S. WOULD PROBABLY BE VERY DIFFICULT; QUESTION IS WHETHER RULE ITSELF IS A GOOD ONE).

(6) NO COMMENT.

(7) THIS SEEMS CONSISTENT WITH REF (C); WE MIGHT WISH TO NAIL DOWN WHAT IS MEANT BY "WHERE PRACTICAL" -- THERE WAS SOME INCONCLUSIVE DISCUSSION ON THIS POINT.

(8) COMMENT AT END OF THIS PARA IS SIMPLY A REMINDER THAT GSA DISPOSAL POLICY COULD AFFECT BSM DISPOSALS OF U.S. CONTRIBUTION. SUGGESTION BY FATAH THAT BSM SALES SHOULD BE GIVEN CLEAR PRIORITY OVER GSA SALES IN TERMS AND CONDITIONS WAS REJECTED BY USREP.

(9) NO COMMENT.

BREWSTER

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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Sent Date: 13-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Executive Order: N/A
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